

AMENDED IN ASSEMBLY AUGUST 18, 2016

AMENDED IN ASSEMBLY AUGUST 15, 2016

AMENDED IN ASSEMBLY JUNE 15, 2016

AMENDED IN SENATE MAY 31, 2016

AMENDED IN SENATE APRIL 5, 2016

SENATE BILL

No. 1234

Introduced by Senator De León

(Principal coauthor: Assembly Member Gatto)

(Coauthors: Senators Beall, Hall, Hertzberg, Leno, and Pan)

(Coauthors: Assembly Members Dodd, Cristina Garcia, Gonzalez,
McCarty, and Williams)

February 18, 2016

An act to amend Sections 100000, 100002, 100004, 100008, 100010, 100012, 100014, 100032, 100034, 100036, and 100043, of, to add Sections 100046, 100048, 100049, and 100050 to, and to repeal Sections 100013, 100040, 100042, and 100043.5 of, the Government Code, and to amend Section 12302.2 of the Welfare and Institutions Code, relating to retirement savings plans, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 1234, as amended, De León. Retirement savings plans.

Existing federal law provides for tax-qualified retirement plans and individual retirement accounts or individual retirement annuities by which private citizens may save money for retirement. Existing law, the California Secure Choice Retirement Savings Trust Act, establishes the California Secure Choice Retirement Savings Program, administered by the California Secure Choice Retirement Savings Investment Board,

contingent on specified funding and interest criteria being met. Existing law prescribes the composition of the board and its duties and provides that it acts as trustee in entering contracts and accepting moneys, among other things. Existing law prohibits the board from permitting enrollment in the program until enactment of a statute expressing legislative approval of program implementation. The program requires specified eligible employers, as defined, to offer a payroll deposit retirement savings arrangement and requires eligible employees, as defined, who do not opt out of the program, to contribute a portion of their salary or wages to a retirement savings account in the program, as specified. Existing law requires contributions from the wages of employees participating in the program to be deposited in the California Secure Choice Retirement Savings Trust, which is continuously appropriated and administered by the board. Existing law authorizes the board to adjust the employee contribution amount between 2% and 4%, inclusive, of the employee's annual salary or wages, as specified.

This bill would express legislative approval of the program and its implementation on January 1, 2017. The bill would require the board, prior to opening the program for enrollment, to make a report to the Governor and Legislature affirming that certain requirements have been met, including that the program is structured to meet a United States Department of Labor regulation, as specified. The bill would require the board to design and implement the program and would prescribe certain parameters that the board is to consider and utilize in establishing the design. The bill would require the board, for up to 3 years following implementation, to establish managed accounts invested in United States Treasury securities, in myRAs, as defined, or in similar investments and would make conforming changes in this connection in provisions related to mitigating risk in the investment portfolio and payment of the costs of administration. The bill would require the board, after this period, to annually prepare and adopt a written statement of investment policy containing specified elements. The bill would require the board to consider the statement and any changes in the investment policy at a public hearing. The bill would specify that funding and first year administrative costs may be appropriated in the annual budget from the General Fund and would require the board to repay the amount appropriated, plus interest, as specified. On and after 6 years from the date the program is implemented, the bill would prohibit expenditures for the purpose of paying operative costs and administering the trust from exceeding 1% of the total program fund. The bill would revise

the purposes for which administrative and program funds may be expended. The bill would provide that investment policy decisions, including asset allocation and investment options, are entrusted to the board as a fiduciary, and would revise certain principles that the board is to consider in connection with investment policy. The bill would exempt the California Secure Choice Retirement Savings Trust from specified provisions regarding the qualification of securities for sale.

The bill would make various changes to existing duties of the board, including those regarding dissemination of information and the entities with which the board is to collaborate and cooperate. The bill would require the Treasurer to appoint an executive director of the board, to serve at its pleasure, and to determine the duties of the office and its compensation. The bill would eliminate the duty of the board to ensure that insurance or some other mechanism is in place to protect the value of individual accounts and would eliminate the requirement to secure private underwriting and reinsurance, as specified. The bill would repeal the duty of the board to conduct an initial market analysis to determine if the condition for the implementation of the program can be met and associated provisions. *The bill would eliminate the authority of the board to establish certain investment options.*

This bill would require eligible employers that do not offer specified retirement plans or accounts to have a payroll deposit retirement savings arrangement so that employees may participate in the program within specified time periods based on the number of eligible employees that the employer has, and the bill would authorize the board to extend these time periods. The bill would provide that employers retain the right at all times to set up and offer their own qualified retirement plans. The bill would define an employer of a provider of in-home supportive services as an employer if a specified determination *is and certification are* made and would require the state or a county that makes a direct payment to a provider to assume obligations regarding retirement savings accounts, including payroll deposit IRA arrangements offered under the program. The bill would authorize the board to adjust the employee contribution amount described above up to 5% and would prescribe other limits on increasing employee contributions. The bill would authorize the board to make annual, automatic escalations of employee contributions subject to certain limitations, including that the employee may opt out, as specified. By authorizing the board to increase moneys that are deposited into the California Secure Choice Retirement Savings Trust, which is continuously appropriated, the bill would make

an appropriation. The bill would authorize the board to adopt regulations to implement the program and would provide that the adoption, amendment, repeal, or readoption of a regulation authorized by this section is deemed to address an emergency. The bill would make various conforming changes.

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 100000 of the Government Code is
2 amended to read:

3 100000. For purposes of this title, the following definitions
4 shall apply:

5 (a) “Board” means the California Secure Choice Retirement
6 Savings Investment Board.

7 (b) “California Secure Choice Retirement Savings Program” or
8 “program” means a retirement savings program offered by the
9 California Secure Choice Retirement Savings Trust.

10 (c) (1) “Eligible employee” means a person who is employed
11 by an eligible employer.

12 (2) “Eligible employer” does not include:

13 (A) Any employee covered under the federal Railway Labor
14 Act (45 U.S.C. Sec. 151), or any employee engaged in interstate
15 commerce so as not to be subject to the legislative powers of the
16 state, except insofar as application of this title is authorized under
17 the United States Constitution or laws of the United States.

18 (B) Any employee on whose behalf an employer makes
19 contributions to a Taft-Hartley pension trust fund.

20 (d) (1) “Eligible employer” means a person or entity engaged
21 in a business, industry, profession, trade, or other enterprise in the
22 state, whether for profit or not for profit, excluding the federal
23 government, the state, any county, any municipal corporation, or
24 any of the state’s units or instrumentalities, that has five or more
25 employees and that satisfies the requirements to establish or
26 participate in a payroll deposit retirement savings arrangement.

27 (2) Upon a positive determination pursuant to ~~paragraph (5)~~ of
28 subdivision (a) of Section 100046, eligible employer means an
29 employer of a provider of in-home supportive services, as regulated

1 by Article 7 (commencing with Section 12300) of Chapter 3 of
2 Part 3 of Division 9 of the Welfare and Institutions Code.

3 (3) “Eligible employer” does not include an employer that
4 provides a retirement savings program as described in subdivision
5 (g) of Section 100032.

6 (e) “IRA” means an individual retirement account or individual
7 retirement annuity under Section 408(a), 408(b), or 408A of Title
8 26 of the United States Code.

9 (f) “myRA” means the federal myRA retirement savings
10 program, including any successor program, offered by the United
11 States Department of the Treasury or an IRA offered under that
12 program.

13 (g) “Participating employer” means an eligible employer that
14 provides a payroll deposit retirement savings arrangement provided
15 for by this title for eligible employees.

16 (h) “Payroll deposit retirement savings arrangement” means an
17 arrangement by which an employer allows employees to remit
18 payroll deduction contributions to a retirement savings program,
19 which may include an IRA, and in the case of a payroll deduction
20 IRA arrangement, to remit specifically to an IRA.

21 (i) “Trust” means the California Secure Choice Retirement
22 Savings Trust established by this title.

23 (j) “Vendor” means a registered investment company or admitted
24 life insurance company qualified to do business in California that
25 provides retirement investment products. “Vendor” also includes
26 a company that is registered to do business in California that
27 provides payroll services or recordkeeping services and offers
28 retirement plans or payroll deduction IRA arrangements using
29 products of regulated investment companies and insurance
30 companies qualified to do business in California. “Vendor” does
31 not include individual registered representatives, brokers, financial
32 planners, or agents.

33 SEC. 2. Section 100002 of the Government Code is amended
34 to read:

35 100002. (a) (1) There is hereby created within state
36 government the California Secure Choice Retirement Savings
37 Investment Board, which shall consist of nine members, with the
38 Treasurer serving as chair, as follows:

39 (A) The Treasurer.

40 (B) The Director of Finance, or his or her designee.

1 (C) The Controller.

2 (D) An individual with retirement savings and investment
3 expertise appointed by the Senate Committee on Rules.

4 (E) An employee representative appointed by the Speaker of
5 the Assembly.

6 (F) A small business representative appointed by the Governor.

7 (G) A public member appointed by the Governor.

8 (H) Two additional members appointed by the Governor.

9 (2) Members of the board appointed by the Governor, the Senate
10 Committee on Rules, and the Speaker of the Assembly shall serve
11 at the pleasure of the appointing authority.

12 (b) All members of the board shall serve without compensation.
13 Members of the board shall be reimbursed for necessary travel
14 expenses incurred in connection with their board duties.

15 (c) A board member, program administrator, and other staff of
16 the board shall not do any of the following:

17 (1) Directly or indirectly have any interest in the making of any
18 investment made for the program, or in the gains or profits accruing
19 from any investment made for the program.

20 (2) Borrow any funds or deposits of the trust, or use those funds
21 or deposits in any manner, for himself or herself or as an agent or
22 partner of others.

23 (3) Become an endorser, surety, or obligor on investments by
24 the board.

25 (d) The board and the program administrator and staff, including
26 contracted administrators and consultants, shall discharge their
27 duties as fiduciaries with respect to the trust solely in the interest
28 of the program participants as follows:

29 (1) For the exclusive purposes of providing benefits to program
30 participants and defraying reasonable expenses of administering
31 the program.

32 (2) By investing with the care, skill, prudence, and diligence
33 under the circumstances then prevailing that a prudent person
34 acting in a like capacity and familiar with those matters would use
35 in the conduct of an enterprise of a like character and with like
36 aims.

37 (e) The board, subject to its authority and fiduciary duty, shall
38 design and implement the California Secure Choice Retirement
39 Savings Program.

1 (1) (A) For up to three years following the initial
2 implementation of the program, the board shall establish managed
3 accounts invested in United States Treasuries, myRAs, or similar
4 investments.

5 (B) The board shall have the authority to provide for investment
6 in myRAs, provided that, in accordance with the myRA provisions,
7 myRA contributions and investment returns shall only be used for
8 myRA investments and to make distributions to, or for the benefit
9 of, participants and shall not be used to pay any costs of
10 administration.

11 (2) (A) During period described in paragraph (1), the board
12 shall develop and implement an investment policy that defines the
13 program's investment objectives and shall establish policies and
14 procedures enabling investment objectives to be met in a prudent
15 manner. The board shall seek to minimize participant fees and
16 strive to implement program features that provide maximum
17 possible income replacement balanced with appropriate risk in an
18 IRA-based environment. The policy shall describe the investment
19 options available to holders of individual savings accounts
20 established as part of the program. Investment options may
21 encompass a range of risk and return opportunities and allow for
22 a rate of return commensurate with an appropriate level of risk to
23 meet the investment objectives stated in the policy.

24 (B) The board may also develop investment option
25 recommendations that address risk-sharing and smoothing of
26 market losses and gains. Investment option recommendations may
27 include, but are not limited to, the creation of a reserve fund or the
28 establishment of customized investment products. Implementation
29 of an investment option recommendation pursuant to this
30 subparagraph shall be contingent upon subsequent approval by the
31 Legislature.

32 (3) After the period described in paragraph (1) has expired, the
33 board shall annually prepare and adopt a written statement of
34 investment policy that includes a risk management and oversight
35 program. The board shall consider the statement of investment
36 policy and any changes in the investment policy at a public hearing.

37 (4) The risk management and oversight program shall include
38 an effective risk management system to monitor the risk levels of
39 the California Secure Choice Retirement Savings Program
40 investment portfolio and ensure that the risks taken are prudent

1 and properly managed. The program shall be managed to provide
2 an integrated process for overall risk management on both a
3 consolidated and disaggregated basis, and to monitor investment
4 returns as well as risk to determine if the risks taken are adequately
5 compensated compared to applicable performance benchmarks
6 and standards.

7 (f) The board shall approve an investment management entity
8 or entities, the costs of which shall be paid out of funds held in the
9 trust and shall not be attributed to the administrative costs of the
10 board in operating the trust. Not later than 30 days after the close
11 of each month, the board shall place on file for public inspection
12 during business hours a report with respect to investments made
13 pursuant to this section and a report of deposits in financial
14 institutions.

15 SEC. 3. Section 100004 of the Government Code is amended
16 to read:

17 100004. (a) There is hereby established a retirement savings
18 trust known as the California Secure Choice Retirement Savings
19 Trust to be administered by the board for the purpose of promoting
20 greater retirement savings for California private employees in a
21 convenient, voluntary, low-cost, and portable manner. After
22 sufficient funds are made available for this title to be operative,
23 the California Secure Choice Retirement Savings Trust, as a
24 self-sustaining trust, shall pay all costs of administration only out
25 of moneys on deposit therein.

26 (b) The board shall segregate moneys received by the California
27 Secure Choice Retirement Savings Trust into two funds, which
28 shall be identified as the program fund and the administrative fund.
29 Notwithstanding Section 13340, moneys in the trust are hereby
30 continuously appropriated, without regard to fiscal years, to the
31 board for the purposes of this title.

32 (c) Moneys in the program fund may be invested or reinvested
33 by the Treasurer or may be invested in whole or in part under
34 contract with the board of a California public retirement system,
35 with private money managers, or in myRAs, or a combination
36 thereof, as determined by the board.

37 (d) Transfers may be made from the program fund to the
38 administrative fund for the purpose of paying operating costs
39 associated with administering the trust and as required by this title,
40 including, but not limited to, board operations, program

1 administrator and investment expenses, and enforcement and
2 compliance costs. On and after six years from the date the program
3 is implemented, on an annual basis, expenditures from the
4 administrative fund shall not exceed more than 1 percent of the
5 total program fund. All costs of administration of the trust shall
6 be paid out of the administrative fund.

7 (e) Any contributions paid by employees and employers into
8 the trust shall be used exclusively for the purpose of paying benefits
9 to the participants of the California Secure Choice Retirement
10 Savings Program, for the cost of administration of the program,
11 and for investments made for the benefit of the program.

12 (f) The California Secure Choice Retirement Savings Trust is
13 an instrumentality of the state. Any security issued, managed, or
14 invested by the California Secure Choice Retirement Savings
15 Investment Board within the California Secure Choice Retirement
16 Savings Trust on behalf of an individual participating within the
17 California Secure Choice Retirement Savings Program shall be
18 exempt from Sections 25110, 25120, and 25130 of the Corporation
19 Code.

20 SEC. 4. Section 100008 of the Government Code is amended
21 to read:

22 100008. The California Secure Choice Retirement Savings
23 Program shall include, as determined by the board, one or more
24 payroll deduction IRA arrangements.

25 SEC. 5. Section 100010 of the Government Code is amended
26 to read:

27 100010. (a) The board shall have the power and authority to
28 do all of the following:

29 (1) Make and enter into contracts necessary for the
30 administration of the trust.

31 (2) Adopt a seal and change and amend it from time to time.

32 (3) Cause moneys in the program fund to be held and invested
33 and reinvested.

34 (4) Accept any grants, gifts, legislative appropriation, and other
35 moneys from the state, any unit of federal, state, or local
36 government or any other person, firm, partnership, or corporation
37 for deposit to the administrative fund or the program fund.

38 (5) Contract with a program administrator and determine the
39 duties of the program administrator. The Treasurer shall, on behalf
40 of the board, appoint an executive director, who shall not be a

1 member of the board and who shall serve at the pleasure of the
2 board. The Treasurer shall determine the duties of the executive
3 director and other staff as appropriate and set his or her
4 compensation. The board may authorize the executive director to
5 enter into contracts on behalf of the board or conduct any business
6 necessary for the efficient operation of the board.

7 (6) Make provisions for the payment of costs of administration
8 and operation of the trust.

9 (7) Employ staff.

10 (8) Retain and contract with the board of a California public
11 retirement system, private financial institutions, other financial
12 and service providers, consultants, actuaries, counsel, auditors,
13 third-party administrators, and other professionals as necessary.

14 (9) Procure insurance against any loss in connection with the
15 property, assets, or activities of the trust.

16 (10) Procure insurance indemnifying each member of the board
17 from personal loss or liability resulting from a member's action
18 or inaction as a member of the board.

19 (11) Set minimum and maximum investment levels in
20 accordance with contribution limits set for IRAs by the Internal
21 Revenue Code.

22 (12) Collaborate and cooperate with the board of a California
23 public retirement system, private financial institutions, service
24 providers, and business, financial, trade, membership, and other
25 organizations to the extent necessary or desirable for the effective
26 and efficient design, implementation, and administration of the
27 program and to maximize outreach to eligible employers and
28 eligible employees.

29 (13) Collaborate with, and evaluate the role of, licensed
30 insurance agents and financial advisors in assisting and providing
31 guidance for eligible employees.

32 (14) Cause expenses incurred to initiate, implement, maintain,
33 and administer the program to be paid from contributions to, or
34 investment returns or assets of, the program or arrangements
35 established under the program, to the extent permitted under state
36 and federal law.

37 (15) Facilitate compliance by the retirement savings program
38 or arrangements established under the program with all applicable
39 requirements for the program under the Internal Revenue Code of
40 1986, including tax qualification requirements or any other

1 applicable law and accounting requirements, including providing
2 or arranging for assistance to program sponsors and individuals
3 in complying with applicable law and tax qualification
4 requirements in a cost-effective manner.

5 (16) Carry out the duties and obligations of the California Secure
6 Choice Retirement Savings Trust pursuant to this title and exercise
7 any and all other powers as appropriate for the effectuation of the
8 purposes, objectives, and provisions of this title pertaining to the
9 trust.

10 (b) The board shall adopt regulations it deems necessary to
11 implement this title consistent with the Internal Revenue Code and
12 regulations issued pursuant to that code to ensure that the program
13 meets all criteria for federal tax-deferral or tax-exempt benefits,
14 or both.

15 SEC. 6. Section 100012 of the Government Code is amended
16 to read:

17 100012. In addition to the powers and authority granted to the
18 board pursuant to Section 100010, the board shall have the power
19 and authority to do the following:

20 (a) Cause the retirement savings program or arrangements
21 established under the program to be designed, established, and
22 operated, in a manner consistent with all of the following:

23 (1) In accordance with best practices for retirement savings
24 vehicles.

25 (2) To encourage participation, saving, and sound investment
26 practices, and appropriate selection of default investments.

27 (3) With simplicity, ease of administration for participating
28 employers, and portability of benefits.

29 (b) Arrange for collective, common, and pooled investment of
30 assets of the retirement savings program or arrangements, including
31 investments in conjunction with other funds with which those
32 assets are permitted to be collectively invested, with a view to
33 saving costs through efficiencies and economies of scale.

34 ~~(e) Explore and establish investment options that offer~~
35 ~~employees returns on contributions and the conversion of individual~~
36 ~~retirement savings account balances to secure retirement income~~
37 ~~without incurring debt or liabilities to the state.~~

38 ~~(d)~~

39 (c) Disseminate educational information designed to educate
40 participants about the benefits of planning and saving for retirement

- 1 and information to help them decide the level of California Secure
2 Choice Retirement Savings Program participation and savings
3 strategies that may be appropriate for them.
- 4 ~~(e)~~
- 5 (d) Disseminate information concerning tax credits available to
6 small business owners for allowing their employees to participate
7 in the program, and the federal Retirement Savings Contribution
8 Credit (Saver's Credit) available to lower and moderate-income
9 households for qualified savings contributions.
- 10 ~~(f)~~
- 11 (e) Submit progress and status reports to participating employers
12 and eligible employees.
- 13 ~~(g)~~
- 14 (f) If necessary, determine the eligibility of an employer,
15 employee, or other individual to participate in the program.
- 16 ~~(h)~~
- 17 (g) Evaluate and establish the process by which an eligible
18 employee of an eligible employer is able to contribute a portion
19 of his or her salary or wages to the program for automatic deposit
20 of those contributions and the participating employer provides a
21 payroll deposit retirement savings arrangement to forward the
22 employee contribution and related information to the program or
23 its agents. This may include, but is not limited to, financial services
24 companies and third-party administrators with the capability to
25 receive and process employee information and contributions for
26 payroll deposit retirement savings arrangements or other
27 arrangements authorized by this title.
- 28 ~~(i)~~
- 29 (h) Design and establish the process for the enrollment of
30 program participants.
- 31 ~~(j)~~
- 32 (i) Allow participating employers to use the program to remit
33 employees' contributions to their IRAs on their employees' behalf.
- 34 ~~(k)~~
- 35 (j) Allow participating employers to make their own
36 contributions to their employees' IRAs, provided that the
37 contributions would be permitted under the Internal Revenue Code
38 and would not cause the program to be treated as an employee
39 benefit plan under the federal Employee Retirement Income
40 Security Act.

1 ~~(j)~~

2 (k) Evaluate and establish the process by which an individual
3 or an employee of a nonparticipating employer may enroll in and
4 make contributions to the program.

5 SEC. 7. Section 100013 of the Government Code is repealed.

6 SEC. 8. Section 100014 of the Government Code is amended
7 to read:

8 100014. (a) Prior to opening the California Secure Choice
9 Retirement Savings Program for enrollment, the board shall design
10 and disseminate to employers through the Employment
11 Development Department (EDD) an employee information packet
12 that shall be available in an electronic format. The packet shall
13 include background information on the program and appropriate
14 disclosures for employees.

15 (b) The disclosure form shall include, but not be limited to, all
16 of the following:

17 (1) The benefits and risks associated with making contributions
18 to the program.

19 (2) The mechanics of how to make contributions to the program.

20 (3) How to opt out of the program.

21 (4) The process for withdrawal of retirement savings.

22 (5) How to obtain additional information on the program.

23 (c) In addition, the disclosure form shall clearly articulate the
24 following:

25 (1) Employees seeking financial advice should contact financial
26 advisors, that employers do not provide financial advice, that
27 employees are not to contact their employers for financial advice,
28 and that employers are not liable for decisions employees make
29 pursuant to Section 100034.

30 (2) This retirement program is not sponsored by the employer,
31 and therefore the employer is not responsible for the plan or liable
32 as a plan sponsor.

33 (3) The program fund is not guaranteed by the State of
34 California.

35 (d) The disclosure form shall include a method for the employee
36 to acknowledge that the employee has read all of the disclosures
37 and understands their content.

38 (e) The employee information packet shall also include an
39 opt-out form for an eligible employee to note his or her decision
40 to opt out of participation in the program. The opt-out notation

1 shall be simple and concise and drafted in a manner that the board
2 deems necessary to appropriately evidence the employee's
3 understanding that he or she is choosing not to automatically deduct
4 earnings to save for retirement.

5 (f) The employee information packet with the disclosure and
6 opt-out forms shall be made available to employers through EDD
7 and supplied to employees at the time of hiring. All new employees
8 shall review the packet and acknowledge having received it.

9 (g) The employee information packet with the disclosure and
10 opt-out forms shall be supplied to existing employees when the
11 program is initially launched for that participating employer
12 pursuant to Section 100032.

13 SEC. 9. Section 100032 of the Government Code is amended
14 to read:

15 100032. (a) After the board opens the California Secure Choice
16 Retirement Savings Program for enrollment, any employer may
17 choose to have a payroll deposit retirement savings arrangement
18 to allow employee participation in the program under the terms
19 and conditions prescribed by the board.

20 (b) Within 12 months after the board opens the program for
21 enrollment, eligible employers with more than 100 eligible
22 employees and that do not offer a retirement savings program
23 pursuant to subdivision (g) shall have a payroll deposit retirement
24 savings arrangement to allow employee participation in the
25 program.

26 (c) Within 24 months after the board opens the program for
27 enrollment, eligible employers with more than 50 eligible
28 employees and that do not offer a retirement savings program
29 pursuant to subdivision (g) shall have a payroll deposit retirement
30 savings arrangement to allow employee participation in the
31 program.

32 (d) Within 36 months after the board opens the program for
33 enrollment, all other eligible employers that do not offer a
34 retirement savings program pursuant to subdivision (g) shall have
35 a payroll deposit retirement savings arrangement to allow employee
36 participation in the program.

37 (e) The board, in its discretion, may extend the time limits
38 defined in subdivisions (b) to (d), inclusive.

39 (f) (1) Each eligible employee shall be enrolled in the program
40 unless the employee elects not to participate in the program. An

1 eligible employee may elect to opt out of the program by making
2 a notation on the opt-out form.

3 (2) Following initial implementation of the program pursuant
4 to this section, at least once every two years, the board shall
5 designate an open enrollment period during which eligible
6 employees that previously opted out of the program shall be given
7 the employee information packet with the disclosure and opt-out
8 forms, for the employee to enroll in the program or opt out of the
9 program by making a notation on the opt-out form.

10 (3) An employee who elects to opt out of the program who
11 subsequently wants to participate through the employer's payroll
12 deposit retirement savings arrangement may only enroll during
13 the board's designated open enrollment period or if permitted at
14 an earlier time.

15 (g) (1) An employer that provides an employer-sponsored
16 retirement plan, such as a defined benefit plan or a 401(k),
17 Simplified Employee Pension (SEP) plan, or Savings Incentive
18 Match Plan for Employees (SIMPLE) plan, or that offers an
19 automatic enrollment payroll deduction IRA, shall be exempt from
20 the requirements of the California Secure Choice Retirement
21 Savings Program, if the plan or IRA qualifies for favorable federal
22 income tax treatment under the federal Internal Revenue Code.

23 (2) An employer shall retain the option at all times to set up and
24 offer a ~~qualified retirement plan~~ *tax-qualified retirement plan, as*
25 *described in paragraph (1)*, instead of having a payroll deposit
26 retirement savings arrangement to allow employee participation
27 in the California Secure Choice Retirement Savings Program.

28 (h) An eligible employee may also terminate his or her
29 participation in the program at any time in a manner prescribed
30 by the board and thereafter by making a notation on the opt-out
31 form.

32 (i) Unless otherwise specified by the employee, a participating
33 employee shall contribute 3 percent of the employee's annual
34 salary or wages to the program.

35 (j) By regulation, the board may adjust the contribution amount
36 set in subdivision (i) to no less than 2 percent and no more than 5
37 percent and may vary that amount within that 2 percent to 5 percent
38 range for participating employees according to the length of time
39 the employee has contributed to the program.

1 (k) The board may implement annual automatic escalation of
2 employee contributions.

3 (1) Employee contributions subject to automatic escalation shall
4 not exceed 8 percent of salary.

5 (2) Automatic escalation shall result in no more than a
6 1-percent-of-salary increase in employee contributions per calendar
7 year.

8 (3) A participating employee may elect to opt out of automatic
9 escalation and may set his or her contribution percentage rate at a
10 level determined by the participating employee.

11 SEC. 10. Section 100034 of the Government Code is amended
12 to read:

13 100034. (a) Employers shall not have any liability for an
14 employee's decision to participate in, or opt out of, the California
15 Secure Choice Retirement Savings Program, or for the investment
16 decisions of employees whose assets are deposited in the program.

17 (b) Employers shall not be a fiduciary, or considered to be a
18 fiduciary, over the California Secure Choice Retirement Savings
19 Trust or the program. The program is a state-administered program,
20 not an employer-sponsored program. If the program is subsequently
21 found to be preempted by any federal law or regulation, employers
22 shall not be liable as plan sponsors. An employer shall not bear
23 responsibility for the administration, investment, or investment
24 performance of the program. An employer shall not be liable with
25 regard to investment returns, program design, and benefits paid to
26 program participants.

27 (c) An employer's voluntary contribution under subdivision ~~(k)~~
28 *(j)* of Section 100012 shall not in any way contradict the provisions
29 of this section or change the employer's relationship to the program
30 or an employer's obligations to employees.

31 (d) An employer shall not have civil liability, and no cause of
32 action shall arise against an employer, for acting pursuant to the
33 regulations prescribed by the board defining the roles and
34 responsibilities of employers that have a payroll deposit retirement
35 savings arrangement to allow employee participation in the
36 program.

37 SEC. 11. Section 100036 of the Government Code is amended
38 to read:

39 100036. The state shall not have any liability for the payment
40 of the retirement savings benefit earned by program participants

1 pursuant to this title. The state, and any of the funds of the state,
2 shall have no obligation for payment of the benefits arising from
3 this title.

4 SEC. 12. Section 100040 of the Government Code is repealed.

5 SEC. 13. Section 100042 of the Government Code is repealed.

6 SEC. 14. Section 100043 of the Government Code is amended

7 to read:

8 100043. (a) The board shall not implement the program if the
9 IRA arrangements offered fail to qualify for the favorable federal
10 income tax treatment ordinarily accorded to IRAs under the Internal
11 Revenue Code, or if it is determined that the program is an
12 employee benefit plan under the federal Employee Retirement
13 Income Security Act.

14 (b) (1) Prior to opening the program for enrollment, the board
15 shall report to the Governor and Legislature the specific date on
16 which the program will start to enroll program participants and
17 that the following prerequisites and requirements for the program
18 have been met:

19 (A) The United States Department of Labor has finalized a
20 regulation setting forth a safe harbor for savings arrangements
21 established by states for nongovernmental employees for the
22 purposes of the federal Employee Retirement Income Security
23 Act.

24 (B) The program is structured in a manner to meet the criteria
25 of the United States Department of Labor regulation.

26 (C) The payroll deduction IRA arrangements offered by the
27 program qualify for the favorable federal income tax treatment
28 ordinarily accorded to IRA arrangements under the Internal
29 Revenue Code.

30 (D) The board has defined in regulation the roles and
31 responsibilities of employers pursuant to the criteria outlined in
32 the United States Department of Labor regulation described in
33 ~~paragraph (2)~~ *subparagraph (A)* and any associated guidance.

34 (E) The board has adopted a third-party administrator operational
35 model that limits employer interaction and transactions with the
36 employee to the extent feasible.

37 (2) The report required by paragraph (1) shall be submitted in
38 compliance with Section 9795.

39 SEC. 15. Section 100043.5 of the Government Code is
40 repealed.

1 SEC. 16. Section 100046 is added to the Government Code,
 2 to read:

3 100046. ~~(a)~~The California Secure Choice Retirement Savings
 4 Program is approved by the Legislature and implemented as of
 5 January 1, 2017. The board shall consider and utilize the following
 6 parameters in designing the program:

7 ~~(b)~~

8 (a) The board shall include a provider of in-home supportive
 9 services, as regulated by Article 7 (commencing with Section
 10 12300) of Chapter 3 of Part 3 of Division 9 of the Welfare and
 11 Institutions Code in the program if the board ~~determines the~~
 12 ~~inclusion to be legally permissible under federal and state laws~~
 13 ~~and regulations. determines, and the Director of the State~~
 14 *Department of Social Services and the Director of the Department*
 15 *of Finance certify, in writing, all of the following:*

16 (1) *The inclusion meets all state and federal legal requirements.*

17 (2) *The appropriate employer of record has been identified for*
 18 *the purpose of satisfying all the program’s employer requirements.*

19 (3) *The payroll deduction, described in Section 12302.2 of the*
 20 *Welfare and Institutions Code, can be implemented at reasonable*
 21 *costs.*

22 (4) *The inclusion does not create a financial liability for the*
 23 *state or employer of record.*

24 ~~(e)~~

25 (b) The board shall structure the program so as to ensure the
 26 state is prohibited from incurring liabilities associated with
 27 administering the program and that the state has no liability for
 28 the program or its investments.

29 ~~(d)~~

30 (c) The board shall determine necessary costs associated with
 31 outreach, customer service, enforcement, staffing and consultant
 32 costs, and all other costs necessary to administer the program.

33 ~~(e)~~

34 (d) The board shall consult with employer representatives to
 35 create an administrative structure that facilitates employee
 36 participation while addressing employer needs, including, but not
 37 limited to, clearly defining employers’ duties and liability
 38 exemption pursuant to Section 100034.

39 ~~(f)~~

1 (e) The board shall include comprehensive worker education
2 and outreach in the program, and the board may collaborate with
3 state and local government agencies, community-based and
4 nonprofit organizations, foundations, vendors, and other entities
5 deemed appropriate to develop and secure ongoing resources for
6 education and outreach that reflect the cultures and languages of
7 the state’s diverse workforce population.

8 ~~(g)~~

9 (f) The board shall include comprehensive employer education
10 and outreach in the program, with an emphasis on employers with
11 less than 100 employees, developed in consultation with employer
12 representatives, with the integration of the following components:

13 (1) A program Internet Web site to assist the employers of
14 participating employees.

15 (2) A toll-free help line for employers with live and automated
16 assistance.

17 (3) Online Internet Web training.

18 (4) Live presentations to business associations.

19 (5) Targeted outreach to small businesses with 10 or less
20 employees.

21 SEC. 17. Section 100048 is added to the Government Code,
22 to read:

23 100048. The board may adopt regulations to implement this
24 title. The adoption, amendment, repeal, or readoption of a
25 regulation authorized by this section is deemed to address an
26 emergency, for purposes of Sections 11346.1 and 11349.6, and
27 the board is hereby exempted for this purpose from the
28 requirements of subdivision (b) of Section 11346.1.

29 SEC. 18. Section 100049 is added to the Government Code,
30 to read:

31 100049. A payroll deposit IRA arrangement offered pursuant
32 to the California Secure Choice Retirement Savings Program shall
33 have the same status as, and be treated consistently with, any other
34 IRA for the purpose of determining eligibility or benefit level for
35 a program that uses a means test.

36 SEC. 19. Section 100050 is added to the Government Code,
37 to read:

38 100050. Funding for startup and first-year administrative costs
39 may be appropriated from the General Fund in the annual Budget
40 Act. The board shall repay the amount appropriated, plus interest

1 calculated at the rate earned by the Pooled Money Investment
2 Account. Necessary administrative costs in future years shall be
3 paid out of the administrative fund.

4 SEC. 20. Section 12302.2 of the Welfare and Institutions Code
5 is amended to read:

6 12302.2. (a) (1) If the state or a county makes or provides for
7 direct payment to a provider chosen by a recipient or to the
8 recipient for the purchase of in-home supportive services, the
9 department shall perform or ensure the performance of all rights,
10 duties, and obligations of the recipient relating to those services
11 as required for purposes of unemployment compensation,
12 unemployment compensation disability benefits, workers'
13 compensation, retirement savings accounts, including payroll
14 deduction IRA arrangements offered pursuant to the California
15 Secure Choice Retirement Savings Program (Title 21 (commencing
16 with Section 100000) of the Government Code), federal and state
17 income tax, and federal old-age, survivors, and disability insurance
18 benefits. Those rights, duties, and obligations include, but are not
19 limited to, registration and obtaining employer account numbers,
20 providing information, notices, and reports, making applications
21 and returns, and withholding in trust from the payments made to
22 or on behalf of a recipient amounts to be withheld from the wages
23 of the provider by the recipient as an employer, including the sales
24 tax extended to support services by Article 4 (commencing with
25 Section 6150) of Chapter 2 of Part 1 of Division 2 of the Revenue
26 and Taxation Code, and transmitting those amounts along with
27 amounts required for all contributions, premiums, and taxes payable
28 by the recipient as the employer to the appropriate person or state
29 or federal agency. The department may ensure the performance
30 of any or all of these rights, duties, and obligations by contract
31 with any person, or any public or private agency.

32 (2) Contributions, premiums, and taxes shall be paid or
33 transmitted on the recipient's behalf as the employer for any period
34 commencing on or after January 1, 1978, except that contributions,
35 premiums, and taxes for federal and state income taxes and federal
36 old-age, survivors, and disability insurance contributions shall be
37 paid or transmitted pursuant to this section commencing with the
38 first full month that begins 90 days after the effective date of this
39 section.

1 (3) Contributions, premiums, and taxes paid or transmitted on
2 the recipient's behalf for unemployment compensation, workers'
3 compensation, and the employer's share of federal old-age,
4 survivors, and disability insurance benefits shall be payable in
5 addition to the maximum monthly amount established pursuant to
6 Section 12303.5 or subdivision (a) of Section 12304 or other
7 amount payable to or on behalf of a recipient. Contributions,
8 premiums, or taxes resulting from liability incurred by the recipient
9 as employer for unemployment compensation, workers'
10 compensation, and federal old-age, survivors, and disability
11 insurance benefits with respect to any period commencing on or
12 after January 1, 1978, and ending on or before the effective date
13 of this section shall also be payable in addition to the maximum
14 monthly amount established pursuant to Section 12303.5 or
15 subdivision (a) of Section 12304 or other amount payable to or on
16 behalf of the recipient. Nothing in this section shall be construed
17 to permit any interference with the recipient's right to select the
18 provider of services or to authorize a charge for administrative
19 costs against any amount payable to or on behalf of a recipient.

20 (b) If the state makes or provides for direct payment to a
21 provider chosen by a recipient, the Controller shall make any
22 deductions from the wages of in-home supportive services
23 personnel that are authorized by Sections 1152 and 1153 of the
24 Government Code, as limited by Section 3515.6 of the Government
25 Code, and for the sales tax extended to support services by Article
26 4 (commencing with Section 6150) of Chapter 2 of Part 1 of
27 Division 2 of the Revenue and Taxation Code.

28 (c) Funding for the costs of administering this section and for
29 contributions, premiums, and taxes paid or transmitted on the
30 recipient's behalf as an employer pursuant to this section shall
31 qualify, where possible, for the maximum federal reimbursement.
32 To the extent that federal funds are inadequate, notwithstanding
33 Section 12306, the state shall provide funding for the purposes of
34 this section.

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